

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1592-02  
Bill No.: Perfected HCS for HB 741  
Subject: Economic Development  
Type: Original  
Date: April 5, 2007

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Bill Summary: This proposal establishes the Missouri Economic Development Code and the Regional Economic Development District Law.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Regional Economic Development District Sales Tax Trust	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Potential offsetting income and expenses, dependant upon voter approval.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Elementary and Secondary Education, State Tax Commission** and the **Department of Economic Development** each assume the proposal would not fiscally impact their respective agencies.

Officials from the cities of **Independence, North Kansas City, and Warrensburg** as well as the counties of **Cass and Johnson** did not respond to our request for fiscal impact.

**Oversight** assumes the proposal is permissive in nature and allows local political subdivisions to create a Missouri Economic Development Code Job Creation Commissions. The commission shall not transact any business or exercise its powers unless the governing body of such municipality or county shall approve, by ordinance or order, the exercise of the powers, functions or duties. Therefore, Oversight will not show a fiscal impact to the local political subdivisions from this proposal.

### House Amendment 1:

In response to a similar proposal from this year (HB 688), officials from the **Department of Economic Development, Department of Revenue** and the **Office of the State Treasurer** each assumed the proposal would not fiscally impact their respective agencies.

Officials from the counties of **Boone, Callaway, Clay, Greene, Platte, St. Charles and St. Louis** did not respond to our request for fiscal impact.

**Oversight** assumes amendment 1 is permissive in nature and would not have a fiscal impact upon the state or local governments without voter approval. Oversight will show the potential sales tax revenue to the state General Revenue fund for the one percent collection fee that can be retained by the state. The remainder of the sales tax revenue that may be collected, shall be deposited into the state's Regional Economic Development District Sales Tax Trust Fund and transferred to the local political subdivision.

**This proposal may increase Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Income</u> - 1% sales tax collection fee (amendment 1)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></u>
 <b>REGIONAL ECONOMIC DEVELOPMENT DISTRICT SALES TAX TRUST FUND</b>			
<u>Transfer In</u> - from DOR - voter approval sales tax in regional economic development districts (amendment 1)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer Out</u> - to Regional Economic Development District special trust fund (amendment 1)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT TO THE REGIONAL ECONOMIC DEVELOPMENT DISTRICT SALES TAX TRUST FUND</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>REGIONAL ECONOMIC DEVELOPMENT DISTRICT</b>			
<u>Transfer In</u> - from state's Regional Economic Development District Sales Tax Trust Fund (Amendment 1)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - Regional economic development district expenses	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT TO THE REGIONAL ECONOMIC DEVELOPMENT DISTRICT</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal establishes the Regional Economic Development District Law. In its main provisions, the bill:

- (1) Allows two or more governing bodies to establish a regional economic development district to plan programs encouraging economic development within the district. The governing bodies must enact identical ordinances or mutually agree to the district's establishment. The ordinances or mutual agreements must specify the qualifications, terms, membership, and powers of the district's board;
- (2) Allows the district to impose, upon voter approval, a sales tax within the district to be used for economic development purposes. The sales tax rate can be 0.25%, 0.375%, or 0.5%;
- (3) Creates the Regional Economic Development District Sales Tax Fund for the deposit of all revenue levied from the district's sales tax;

FISCAL DESCRIPTION (continued)

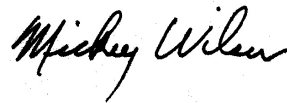
- (4) Prohibits the revenue from the district's sales tax from being included in calculations of moneys available to other special taxing districts that may also be a part of the regional economic development district. Other special taxing districts include tax increment financing districts, neighborhood improvement districts, and community improvement districts. Revenue from the regional economic development district's sales tax can only be used for its purposes and cannot be diverted to any other special taxing district unless approved by the district's board;
- (5) Requires the board to make a report available to the public at least annually on the use of its funds;
- (6) Allows the board to adopt incremental tax financing for the purposes of the district;
- (7) Specifies the manner in which ad valorem taxes and payments in lieu of taxes will be divided among affected taxing districts;
- (8) Allows the district to collect 50% of the economic activity tax revenue received from sales within the district for 25 years;
- (9) Specifies the requirements of a regional economic development plan;
- (10) Requires that certain findings be made by the board before adopting a regional economic development plan, including a determination that the development area has not been subject to growth and development through private investment and that this cannot be reasonably expected to occur without the implementation of regional economic development projects and the adoption of incremental tax financing; and

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of the State Treasurer  
State Tax Commission  
Department of Elementary and Secondary Education

**NOT RESPONDING: cities of Independence, North Kansas City, and Warrensburg as well as the counties of Cass and Johnson, Boone, Callaway, Clay, Greene, Platte, St. Charles and St. Louis**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 5, 2007